

2018/19



MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

ANNUAL BUDGET REPORT - MP303

Municipal Budget Reporting Regulations (MBRR)



Table of Contents

PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR'S REPORT.....	4
1.2 COUNCIL RESOLUTIONS.....	5
1.3 EXECUTIVE SUMMARY.....	5
1.4 OPERATING REVENUE FRAMEWORK.....	7
1.5 OPERATING EXPENDITURE FRAMEWORK.....	11
1.6 CAPITAL EXPENDITURE.....	14
1.7 ANNUAL BUDGET TABLES.....	16

PART 2 – SUPPORTING DOCUMENTATION

2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS.....	18
2.2 IDP AND SDBIP PRIORITIES.....	18
2.3 IDP / BUDGET CONSULTATIVE COMMUNITY PARTICIPATION.....	19
2.4 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP.....	20
2.5 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS.....	22
2.6 OVERVIEW OF BUDGET RELATED POLICIES.....	23
2.7 OVERVIEW OF BUDGET ASSUMPTIONS.....	23
2.8 OVERVIEW OF BUDGET FUNDING SOURCES.....	24
2.9 FUNDING COMPLIANCE MEASUREMENT.....	25
2.10 EXPENDITURE ON GRANTS AND RECONCILIATION OF UNSPENT FUNDS.....	27
2.11 COUNCILLOR, EMPLOYEE BENEFITS & PERSONNEL NUMBERS.....	28
2.12 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW.....	31
2.13 OTHER SUPPORTING DOCUMENTS.....	35
2.14 LEGISLATION COMPLIANCE STATUS	43
2.15 MUNICIPAL MANAGER'S QUALITY CERTIFICATE.....	44

List of Tables

Table 1 Comparison of proposed rates to levied for the 2018/19 financial year.....	8
Table 2 Inclining Block Tariffs (IBT) – Residential.....	8
Table 3 Comparison between current water charges and increase (Domestic).....	9
Table 4 Comparison between current sanitation charges and increases.....	10
Table 5 Comparison between current waste removal fees and increases.....	10
Table 6 MBRR Table A4 – Budgeted Financial Performance (Revenue & Expenditure).....	11
Table 7 MBRR Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding sources	14
Table 8 MBRR Table A1 – Budget Summary.....	16
Table 9 Feedback Summary from Community needs relating to Municipal Competencies.....	19
Table 10 MBRR Table SA5 – Reconciliation between the IDP strategic objective and budgeted operating expenditure.....	20
Table 11 IDP Strategic Development, Priorities and Objectives.....	21
Table 12 Sources of Capital revenue over the MTREF.....	24
Table 13 MBRR SA10 – Funding compliance measurement.....	25
Table 14 MBRR SA19 – Expenditure on transfers and grant programme.....	27

Table 15 MBRR SA20 – Reconciliation between transfers, grant receipts and unspent funds.....	27
Table 16 MBRR SA23 – Salaries allowance and benefits (Political office bearers/councillors/senior managers).....	28
Table 17 MBRR SA24 – Summary of personnel numbers.....	29
Table 18 MBRR SA25 – Budgeted monthly revenue and expenditure.....	31
Table 19 MBRR SA30 – Budgeted monthly cash flows.....	33
Table 20 MBRR SA1 – Supporting detail to budgeted financial performance.....	35
Table 21 MBRR SA2 – Matrix financial performance budget (revenue source/expenditure type and department).....	39
Table 22 MBRR SA3 – Supporting details to Statement of Financial Position.....	41

List of Figures

Figure 1 Capital Infrastructure Programme.....	15
Figure 2 Planning, budgeting and reporting cycle.....	22
Figure 3 Sources of capital revenue for the 2018/19 financial year.....	24

Annexure

Annexure 1	Tariffs Structure
Annexure 2	Municipal Budget Circular No.91
Annexure 3	Budget Related Policies
	➤ Supply Chain Management policy
	➤ Investment policy
	➤ Budget policy
	➤ Fund Transfer policy
	➤ Funding and Reserves policy
	➤ Long-term Financial Planning policy
	➤ Credit & Debit Control policy
	➤ Subsistence & Travelling policy
	➤ Asset Management Policy
	➤ Tariff policy
	➤ Cash Management policy
	➤ Indigent Policy
	➤ Rates policy
	➤ Fleet Management policy
	➤ Asset Disposal policy

PART 1 – ANNUAL BUDGET

1.1 EXECUTIVE MAYOR’S REPORT

In pursue of our commitment to ensure that together we continue to build a better community in eMkhondo, we as the Municipality plan to step up efforts to create sustainable economic growth and development opportunities for the youth, people with disabilities and women. We intend to use the resources we have at our disposal to strengthen the economic activities such as agricultural value chain which will benefit existing and emerging farmers through cooperatives.

As the Council, we observe and acknowledge that the current financial position of the municipality is still under pressure. Despite these challenges, we are optimistic that the budget we put together is realistic under the circumstances. The Municipality has put measures in place to encourage, motivate and educate members of the community about the importance of paying for the services they receive from the municipality.

We are committed to move with speed to decrease the backlog of providing new serviced sites to the needy. The expropriation of portion 1803 wherein over 100 sites are made available and the selection is underway with over 2000 potential buyers on the list of the municipality. These sites will also prioritise the gap market housing opportunities. We will continue to install water and sewer connections in newly incorporated areas. Rural sanitation and electricity connections will also receive special attention in order to improve living conditions rural communities. This is not an easy task because we must make some difficult choices with our limited resources.

Most of our capital budget will be funded from the conditional grants the municipality receives from the national fiscus. If we invest in the existing and new infrastructure, we will be able to broaden our tax base and be able to carry on with the construction and implementation of much needed projects that can contribute positively in addressing poverty, unemployment and inequality.

However, the Council will be vigilant when exercising its oversight in order to keep its fiscal discipline intact. Using our existing public participation and communication platforms, we intend to discharge the responsibilities and the mandate that the electorate entrusted on us. We are doing this being conscious that accounting to the general public is not just a privilege we dish out, but is a constitutional right we have to fulfil to promote more active community participation in decision-making processes of the municipality.

.....
EXECUTIVE MAYOR
CLLR VUSI MOTHA

1.2 COUNCIL RESOLUTION

The Executive Mayor of Mkhondo Local Municipality will deliver his 2018/19 Draft Annual Budget speech in Council Chamber before and/or 30 March 2018, for Council to approve the 2018/19 Draft Annual Budget. The Council item will outline the following in terms of section 24 of the Municipal Financial Management Act;

- 2018/19 Draft Budget Report
- 2018/19 Draft tariffs Schedule
- 2018/19 Reviewed Budget Related Policies

1.3 EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Mkhondo Local Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 89 & 91 was consulted to guide the compilation of the 2018/19 MTREF

The main challenges experienced during the compilation of the budget 2018/19 can be summarized as follows;

- The ongoing economic challenges in the national and local environment;
- Aging water, roads and electricity infrastructure;
- The increased cost of bulk electricity purchase (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents.
- Growing demand for formalization of townships and backlogs for providing sites which will in turn will require basic services from the municipality.
- Other costs of doing business including repairs and maintenance of fleet operations.

The following budget principles and guidelines directly informed the compilation of the 2018/19 MTREF:

- The 2017/18 Adjustment Budget priorities and targets, as well as the base line allocations were adopted as future growth and a top up developments into the upcoming 2018/19 annual budget;

- The overall impact on the budget will not be accelerated that high due to low cash flow volumes and continued revenue challenges.
- The approach for 2018/19 budget year is to allow revenue to be projected at CPI + 2.5% growth this will work towards the cost-reflective tariffs and the drive towards funded budgets.
- The current operational expenditure far supersedes the available cash flow therefore the baseline of adjustment budget will be opening balances and only employee related cost will be increased by CPI + 1% .
- Mkhondo Municipality has implemented mSCOA project on the 01 July 2017, since the inception we have been transacting on mscoa under the version 6.1. In terms of 2018/19 mSCOA compliant budget is approved by the National Treasury on the latest version 6.2.
- Tariffs and property rates increases should be affordable and currently the municipality is proposing to increase tariffs upto 2.5% above inflation in order to cover the fundability of the budget. The rural and semi-urban areas will be charged upto R150 per month per household on access to clean water using household and communal taps.

Recommendations and Comments from other stakeholders including provincial treasury in terms of section 22 of the MFMA on 2018/19 Draft Budget were follows;

The Municipal Finance Management Act, (Act 56 of 2003), section 22 requires the Accounting Officer (Municipal Manager) to submit a final budget to, amongst others, the Provincial Treasury immediately after tabling the final budget in Council. In turn, the Provincial Treasury must provide views and comments on the final budget and any budget-related policies and documentation, which must then be considered by council when tabling the annual budget (Section 23). The final budget engagement with PT had the following comments and recommendations for the Municipality to take note;

- The projections of the Revenue Enhancement Collection strategy should be documented and ease for statistical reporting in terms of Debt book.
- Data cleansing close up report and its recommendations
- Long-term Asset Renewal plan for Repairs and maintenance of infrastructure
- Forestry in terms of the progress on identifying biological assets and its value
- Budgeted repairs and maintenance should equate to 8% total operating expenditure in terms of the budget and reporting regulations.
- Debt impairment and depreciation be budgeted in full, however, in terms of MFMA Circular 55 paragraph 4.3, it says the municipality may have a deficit budget as long as that deficit does not exceeds the amounts provided for depreciation and debt impairment.
- Interest on overdue accounts be charged according to the municipality's debt and credit control policy which has been amended effectively to reflect that interest on overdue accounts be charged at prime rate plus 1%.
- Other revenue items such as traffic fines and rental of facilities had to be readjusted downwards to be more conservative on the revenue collection.

1.4 Operating Revenue Framework

Total operating revenue for 2018/19 financial year is R487, 1million, when compared to the 2017/18 Adjustment Budget of R431, 5million. For the two outer years, operational revenue will increase by 4.9 per cent respectively.

Total operating expenditure for the 2018/19 financial year has been appropriated at R560, 3million and translates into a budgeted surplus of R600 000 towards funding own capital contribution mainly laptops, computers and printers as well as office furniture. When compared to the 2017/18 Adjustments Budget, operational expenditure has grown by 3.6 per cent in the 2018/19 budget and by 4 per cent for each of the respective outer years of the MTREF. These surpluses will be used to fund own capital expenditure and to further ensure cash backing of reserves and funds.

The 2018/19 capital budget of R76, 7 million is fully funded through MIG towards various infrastructure projects. The electrification projects of Phillip Greyling main-substation has been allocated

R8, 5million through INEP grant. The sewer package projects for Rustplaas and Haartebeesfontein were both approved and allocated R5million and R10million respectively from the Water Services Infrastructure Grant. The national government calls for all municipalities to start generating substantial revenues to alleviate grant dependency on capital infrastructure as well as renewal of existing assets

1.4.1 Municipal Tariffs

1.4.1.1 Property Rates

Mkhondo municipality has implemented a current valuation roll and it has been updated effectively to be implemented as from 01 July 2017. The new valuation roll has brought an upward change in revenue estimates as more properties are now included in the property valuation roll to generate more revenue as well as to cover the cost of providing other general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No.89 & 91 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The 5.3 per cent property rate tariffs increase for 2018/19 financial year will see a revenue projection of R46, 9million as compared to the R43, 6million in 2017/18 adjustment. The reduction of R15 000 of the market value of the property as per Section 17(1)(h) of the MPRA is permitted to residential stands

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

and Council add an extra R43 000 to it to bring the value to R58 000 which will be exempted from rates. Rebates for residential will be 15%

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 5.3 per cent increase from 1 July 2018 is contained below:

Table1 - Comparison of proposed rates to levied for the 2018/19 financial year

Category	Current tariffs (2017/18)	Draft tariffs (2018/19) (5.3%)
Residential	R 0.009491	R 0.009491
Business/Industrial	R 0.010436	R 0.010989
Agriculture	R 0.002518	R 0.002651
State owned	R 0.010436	R 0.010989
Psi	R 0.002518	R 0.002651
Vacant	R 0.018143	R 0.019105
Pbo	R 0.002518	R 0.002651

1.4.1.2 Sale of Electricity and impact of tariffs increase

We have applied to NERSA 6.84 per cent on the municipal electricity tariff for 2018/19 annual budget compilation. Mkhondo Local Municipality will be charging the NERSA approved final tariff as per the approval letter expected in April 2018 for all electricity sales and consumptions. This will be in addition to measures in place to reduce the distribution losses both technical and non-technical energy losses. The tariffs will be effective in the new financial billing starting on the 01st July 2018. Mkhondo Local Municipality has implemented the Inclining Block Tariffs (IBT) effective from the 1st July 2015. The intervention of Vodacom with smart meters has assisted the municipality to install over 900 units of prepaid smart meters in and around eMkhondo town.

Table2 - Inclining Block Tariffs (IBT) – Residential

<u>Prepaid</u>	<u>2017/18 (c/kwh)</u>	<u>2018/19 (c/kwh)</u> <u>(6.84%)</u>	<u>Increase c/kwh)</u>
Block1 (0 – 50kwh)	85.58	91.43	5.85
Block2 (51 – 350kwh)	109.66	117.16	7.50
Block3 (351 – 600kwh)	150.17	160.44	10.27
Block4 (600kwh >)	182.27	194.74	12.47
Basic Charge	98.21	104.93	6.72

<u>Conventional</u>	<u>2017/18 (c/kwh)</u>	<u>2018/19 (c/kwh)</u> <u>(6.84%)</u>	<u>Increase c/kwh)</u>
Block1 (0 – 50kwh)	78.96	84.36	5.40
Block2 (51 – 350kwh)	101.99	108.97	6.98
Block3 (351 – 600kwh)	146.95	157.00	10.05
Block4 (600kwh >)	175.46	187.46	12.00
Basic Charge	98.21	104.93	6.72

Mkhondo local municipality has an indigent register that is guided by the municipality's indigent policy however, more efforts will be envisaged to reach out to more deserving members of the community to register on the indigent subsidy. Indigent households will receive free basic electricity supply of up to 50KWh which is funded from the equitable share and that this allocation will continue in the 2018/19 financial year.

The tariff increase is divided into two categories mainly;

- Repair and Maintenance and other general services - 6%
- Electricity Consumption KWh - 6.84% **(Non-residential – IBT only)**
- Bulk Purchases (Eskom) - 7.32%

1.4.1.3 Sales of Water and Impact of tariff increase

South Africa has faced one of the worst droughts in decades and a call for water preservations were a call to each and every south African to utilize water sparingly and the worst hit were agricultural sector and communities in terms of water supply. Some municipal areas were declared as disaster areas seeking water supply through tinkering services and other non-profit organizations offering a support. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansions;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

It is recommended that the registered owner of a property should bear the costs where a water meter measuring system is installed by Council. These costs will constitute the said measuring unit, general maintenance and installation expenses incurred by the Council in relation to the meter installation.

The approved water tariff for Mkhondo Local municipality for basic charge is R19.45 each month for every vacant stand excluding Council properties.

Table 3 - Comparison between current water charges and increases (Domestic)

Monthly Consumption kℓ	Current tariffs 2017/18	Draft tariffs 2017/18	Difference (Increase)	Percentage Change
0 -6 (Free Basic Water)	R 4.16	R 4.38	R0.22	5.3%
7 – 20	R 5.17	R 5.44	R0.27	5.3%
21 – 40	R 7.32	R 7.71	R0.39	5.3%
41 – 60	R 9.67	R 10.18	R0.51	5.3%
61 - above	R 10.21	R 10.75	R0.54	5.3%

The free basic water will be provided to only registered indigent households and no longer to all residents even to those that can afford to pay for water usage, and it will be upto a maximum of 6kℓ.

By-laws of the municipality shall be applicable to water supply tariffs including all the other water tariffs.

1.4.1.4 Sanitation and Impact of tariffs increase

Tariff increase of 5.3% for sanitation has been approved as from 01 July 2018. This is based on the cost assumptions related to water.

The following factors also contributed to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged
- Free sanitation of 6kℓ water will be applicable to registered indigents
- New sewer connection fees will be split into town/urban and townships

Table 4 - Comparison between current sanitation charges and increases

Classification Monthly	Current tariffs 2017/18	Draft tariffs 2017/18	Difference (Increase)	Percentage Change
Stand – 1 st toilet	R 40.57	R 42.72	R2.15	5.3%
Consecutive toilet	R 37.91	R 39.92	R2.01	5.3%
2 & 3 stands	R 34.05	R 35.85	R1.81	5.3%

1.4.1.5 Refuse removal and Impact of tariffs increase

In respect of the refuse removal charges, Mkhondo Local Municipality approved 5.3% tariff on all categories of in terms of their classifications and waste bins.

Table 5 - Comparison between current Refuse removal charges and increases

Classification Monthly	Current tariffs 2017/18	Draft tariffs 2018/19	Difference (Increase)	Percentage Change
Dwellings, flats, churches and hospitals : per	R55.14	R58.06	R2.92	5.3%
From all other premises, per user	R139.43	R146.82	R7.39	5.3%
If two users jointly make use of a bulk refuse container, per user	R290.21	R305.59	R15.38	5.3%
Bulk refuse container per individual user.	R585.12	R616.13	R31.01	5.3%
Additional Waste - Landfill site per Ton	R35.66	R37.55	R1.89	5.3%

1.5 Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2018/19 budget and MTREF is informed by the following:

- The Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018 has come to an end. The process is under consultation; therefore, in the absence of other information from the SALGBC communication will be provided at a later stage.
- Funded budget model to ensure that approved budgets are fully funded and cash sustainable to achieve the priorities as set out in the IDP. Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and
- Strict adherence to the principle of *no project plans into approved IDP, no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

MP303 Mkhondo - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Revenue By Source											
Property rates	2	31,383	34,003	40,351	41,452	43,586	43,586	19,838	46,852	49,429	52,148
Service charges - electricity revenue	2	88,121	89,281	121,224	113,401	113,606	113,606	54,454	121,377	129,679	138,549
Service charges - water revenue	2	11,890	15,091	23,561	16,945	20,774	20,774	10,396	24,854	26,221	27,663
Service charges - sanitation revenue	2	6,945	7,703	9,153	9,354	9,907	9,907	4,711	12,523	13,211	13,938
Service charges - refuse revenue	2	7,774	8,711	9,989	9,962	11,224	11,224	5,363	11,808	12,458	13,143
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	968	758	751	751	3,840	1,466	1,466	449	1,543	1,628	1,717
Interest earned - external investments	1,213	1,028	442	530	530	1,659	1,659	904	1,745	1,841	1,943
Interest earned - outstanding debtors	9,198	10,659	16,157	10,800	16,320	16,320	8,656	14,500	13,500	12,500	
Dividends received	78	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	4,470	3,779	3,017	408	1,604	1,604	574	2,188	2,308	2,435	
Licences and permits	77	32	116	52	52	52	55	55	58	61	
Agency services	9,177	9,743	12,155	-	-	-	-	-	-	-	-

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Transfers and subsidies		137,188	141,195	171,606	196,057	196,412	196,412	143,113	219,071	237,224	219,451
Other revenue	2	20,331	36,747	24,664	28,697	27,868	27,868	10,766	24,581	20,306	19,443
Gains on disposal of PPE	1	152	2,304	-	-	-	-	-	6,000	-	-
Total Revenue (excluding capital transfers and contributions)		328,817	358,883	435,491	431,499	444,480	444,480	259,280	487,097	507,863	502,991
Expenditure By Type	-										
Employee related costs	2	112,532	128,742	148,774	155,528	156,428	156,428	77,072	166,126	176,924	188,425
Remuneration of councillors		12,840	13,086	12,039	13,745	14,905	14,905	7,297	15,724	16,589	17,501
Debt impairment	3	28,038	29,266	62,363	48,132	53,700	53,700	34,782	51,500	50,000	49,500
Depreciation & asset impairment	2	70,686	75,480	70,178	78,651	71,700	71,700	37,987	72,847	73,576	74,311
Finance charges		7,528	12,699	9,476	100	100	100	4,237	10	-	-
Bulk purchases	2	82,866	101,297	115,583	113,606	113,606	113,606	64,240	121,922	130,847	140,425
Other materials	8	31,409	34,513	25,240	22,004	18,607	18,607	8,996	19,166	19,741	20,333
Contracted services		36,362	15,272	40,981	37,908	38,836	38,836	22,387	38,889	40,055	41,257
Transfers and subsidies		6,480	3,930	6,676	17,877	10,877	10,877	527	12,767	13,630	13,167
Other expenditure	4, 5	44,883	76,420	61,952	63,289	61,600	61,600	27,562	61,348	63,188	65,084
Loss on disposal of PPE		-	-	1,120	-	-	-	-	-	-	-
Total Expenditure		433,625	490,705	554,383	550,840	540,358	540,358	285,086	560,299	584,550	610,003
Surplus/(Deficit)		(104,808)	(131,822)	(118,892)	(119,340)	(95,878)	(95,878)	(25,805)	(73,202)	(76,686)	(107,012)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		86,376	218,135	78,481	123,104	123,099	123,099	66,968	96,398	124,773	106,130
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	5,045	-	-	2,500	12,600	12,600	-	600	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	44,769	42,094	42,094	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		(13,387)	86,313	(40,410)	51,033	81,915	81,915	41,162	23,796	48,087	(883)
Taxation											
Surplus/(Deficit) after taxation		(13,387)	86,313	(40,410)	51,033	81,915	81,915	41,162	23,796	48,087	(883)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(13,387)	86,313	(40,410)	51,033	81,915	81,915	41,162	23,796	48,087	(883)
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(13,387)	86,313	(40,410)	51,033	81,915	81,915	41,162	23,796	48,087	(883)

The budget allocation for employee related cost for the 2018/19 financial year totals to R166.1million, which equals 38 per cent of the total operating expenditure. Based on the outcome of the new salary

and wage collective agreement the final budget will have the increments as approved by SALGBC for now employee related cost will be benchmarked at CPI + 1% which is 5.2+1=6.2%.

No filling of new vacancies will be budgeted on the 2018/19 Opex budget, the vacancies will be filled are those that were budgeted and employees have either deceased or resigned from those positions. The department heads are strictly reminded to control and manage their departmental employee costs particularly on overtime, standby and shift allowances.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The Division of Revenue Act of 2018/19 grant allocation as gazetted for remuneration of councillors has an amount of R16, 6million for councilors' remuneration as well as the stipend for the ward councilor's which has been considered during the compilation of the 2017/18 Final Annual Budget.

Finance charges consist primarily of the repayment of interest on long-term borrowing from DBSA (cost of capital) as well as bank charges. The municipality will be settling the DBSA loan and management can consider infrastructure loan through normal processes of the National Treasury.

Bulk purchases of R121, 9million are largely informed by the purchase of bulk electricity and the raw water extractions from DWA.

Other material comprises of amongst others the purchase of fuel, materials for repairs & maintenance, cleaning materials and water treatment chemicals. In line with the municipality's repairs and maintenance plan on existing infrastructures, this group of expenditure has been prioritized to ensure sustainability of the service delivery.

1.5.1 Free Basic Services: Basic Social Services Package

The Gert Sibande District Municipality has in past offered to assist the municipality with the registration of the indigents for the entire Mkhondo area particularly those areas where billing takes place. The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mkhondo Municipality's approved Indigent Policy. Recognizing that the number of registered indigent is still low, the target is to register additional 25 per cent or more indigent households during the 2018/19 financial year, a process to be reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 7 - MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification

MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Capital Expenditure - Functional											
<i>Governance and administration</i>											
Executive and council	–	–	1,260	5,363	–	600	600	–	600	–	–
Finance and administration	–	–	–	764	–	–	–	–	–	–	–
Internal audit	–	–	1,260	4,599	–	600	600	–	600	–	–
<i>Community and public safety</i>											
Community and social services	–	–	–	2,666	10,867	18,063	18,063	18,136	3,500	6,000	6,000
Sport and recreation	–	–	–	2,648	4,867	14,540	14,540	18,136	–	–	–
Public safety	–	–	–	–	6,000	3,523	3,523	–	3,500	6,000	6,000
Housing	–	–	–	9	–	–	–	–	–	–	–
Health	–	–	–	9	–	–	–	–	–	–	–
<i>Economic and environmental services</i>											
Planning and development	–	–	25,832	20,520	37,020	27,357	27,357	11,158	27,638	26,500	24,695
Road transport	–	–	–	–	–	–	–	–	–	–	–
Environmental protection	–	–	25,832	20,520	37,020	27,357	27,357	11,158	27,638	26,500	24,695
<i>Trading services</i>											
Energy sources	–	5,045	185,637	52,199	77,717	89,679	89,679	32,926	65,260	92,273	75,435
Water management	–	–	12,739	9,010	11,500	13,920	13,920	2,569	8,500	15,000	11,000
Waste water management	–	–	154,974	36,336	31,217	36,359	36,359	21,169	20,260	17,273	–
Waste management	–	–	17,924	6,728	35,000	39,400	39,400	9,188	36,500	60,000	64,435
<i>Other</i>											
Other	–	5,045	–	125	–	–	–	–	–	–	–
Total Capital Expenditure - Functional	3	97,580	212,729	80,749	125,604	135,700	135,700	62,221	96,998	124,773	106,130
Funded by:											
National Government	–	90,683	91,668	71,534	123,104	123,099	123,099	62,221	96,398	124,773	106,130
Provincial Government	–	–	100,000	–	–	–	–	–	–	–	–
District Municipality	–	–	9,367	–	–	–	–	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	90,683	201,035	71,534	123,104	123,099	123,099	62,221	96,398	124,773	106,130

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		6,897	11,694	9,215	2,500	12,601	12,601	-	600	-	-
Total Capital Funding	7	97,580	212,729	80,749	125,604	135,700	135,700	62,221	96,998	124,773	106,130

For 2018/19 an amount of R97million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The capital infrastructure budget allocation on water and sanitation provision of R56, 8million which equates to 59 per cent will address water backlogs that the municipality is currently facing in rural and urban areas. Electrification projects will amount to R8, 5 million from INEP for upgrading main sub-station. While Water Services Infrastructure Grant (WSIG) will continue to provide new sewer package plants in Rustplaas and Hartebesfontein of R5 million and R10 million respectively.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 1 Capital Expenditure Programme



The capital expenditure bar charts illustrate that the large portion of the capital spending will be geared towards water and sanitation projects of R56, 8 million in rural and urban areas. Roads capital budget includes a creation of cemetery site and other construction and rehabilitation of access roads.

2018/19 Draft Budget MIG is just under R76, 4million and Integrated National Electrification Programme (INEP) with R8, 5million as well as Water Service Infrastructure Grant of R15 million.

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

1.7 Annual Budget Tables

MP303 Mkhondo - Table A1 Budget Summary

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
<u>Financial Performance</u>										
Property rates	31,383	34,003	40,351	41,452	43,586	43,586	19,838	46,852	49,429	52,148
Service charges	114,732	120,785	163,927	149,663	155,512	155,512	74,924	170,562	181,569	193,293
Investment revenue	1,213	1,028	442	530	1,659	1,659	904	1,745	1,841	1,943
Transfers recognised - operational	137,188	141,195	171,606	196,057	196,412	196,412	143,113	219,071	237,224	219,451
Other own revenue	44,301	61,871	59,165	43,798	47,311	47,311	20,500	48,867	37,800	36,156
Total Revenue (excluding capital transfers and contributions)	328,817	358,883	435,491	431,499	444,480	444,480	259,280	487,097	507,863	502,991
Employee costs	112,532	128,742	148,774	155,528	156,428	156,428	77,072	166,126	176,924	188,425
Remuneration of councillors	12,840	13,086	12,039	13,745	14,905	14,905	7,297	15,724	16,589	17,501
Depreciation & asset impairment	70,686	75,480	70,178	78,651	71,700	71,700	37,987	72,847	73,576	74,311
Finance charges	7,528	12,699	9,476	100	100	100	4,237	10	–	–
Materials and bulk purchases	114,275	135,810	140,824	135,610	132,213	132,213	73,236	141,087	150,588	160,758
Transfers and grants	6,480	3,930	6,676	17,877	10,877	10,877	527	12,767	13,630	13,167
Other expenditure	109,284	120,958	166,416	149,329	154,136	154,136	84,731	151,737	153,243	155,841
Total Expenditure	433,625	490,705	554,383	550,840	540,358	540,358	285,086	560,299	584,550	610,003
Surplus/(Deficit)	(104,808)	(131,822)	(118,892)	(119,340)	(95,878)	(95,878)	(25,805)	(73,202)	(76,686)	(107,012)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	86,376	218,135	78,481	123,104	123,099	123,099	66,968	96,398	124,773	106,130
Contributions recognised - capital & contributed assets	5,045	–	–	47,269	54,694	54,694	–	600	–	–
Surplus/(Deficit) after capital transfers & contributions	(13,387)	86,313	(40,410)	51,033	81,915	81,915	41,162	23,796	48,087	(883)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(13,387)	86,313	(40,410)	51,033	81,915	81,915	41,162	23,796	48,087	(883)
<u>Capital expenditure & funds sources</u>										
Capital expenditure	97,580	212,729	80,749	125,604	135,700	135,700	62,221	96,998	124,773	106,130
Transfers recognised - capital	90,683	201,035	71,534	123,104	123,099	123,099	62,221	96,398	124,773	106,130
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	6,897	11,694	9,215	2,500	12,601	12,601	–	600	–	–

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Total sources of capital funds	97,580	212,729	80,749	125,604	135,700	135,700	62,221	96,998	124,773	106,130
<u>Financial position</u>										
Total current assets	65,066	59,562	51,681	139,611	164,754	164,754	75,087	179,629	181,603	151,486
Total non current assets	1,338,681	1,462,745	1,457,958	1,582,992	1,523,480	1,523,480	1,482,576	1,496,383	1,547,681	1,580,489
Total current liabilities	155,258	181,357	224,789	104,137	118,648	118,648	232,441	130,563	115,750	101,760
Total non current liabilities	33,317	37,415	35,108	39,288	35,108	35,108	35,108	35,108	35,108	35,108
Community wealth/Equity	1,215,172	1,303,534	1,249,742	1,579,178	1,534,478	1,534,478	1,290,113	1,510,341	1,578,426	1,595,107
<u>Cash flows</u>										
Net cash from (used) operating	75,632	197,152	67,607	79,540	92,552	92,552	82,935	87,190	116,385	65,886
Net cash from (used) investing	(97,761)	(194,431)	(76,469)	(80,835)	(93,606)	(93,606)	(62,287)	(90,998)	(124,773)	(106,130)
Net cash from (used) financing	(1,220)	(848)	6,336	(386)	(683)	(683)	(7,221)	–	–	–
Cash/cash equivalents at the year end	2,152	4,026	1,500	8	146	146	14,927	292	(8,096)	(48,340)
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	19,658	4,026	1,500	8	146	146	14,927	760	(7,558)	(47,761)
Application of cash and investments	110,487	137,931	178,447	19	(60)	(60)	169,378	(3,812)	(25,677)	(48,227)
Balance - surplus (shortfall)	(90,829)	(133,905)	(176,948)	(11)	205	205	(154,450)	4,572	18,119	466
<u>Asset management</u>										
Asset register summary (WDV)	1,409,931	1,392,385	1,248,633	1,573,185	1,577,983	1,577,983		1,469,666	1,594,539	1,701,669
Depreciation	70,686	75,480	70,178	78,651	71,700	71,700		72,847	73,576	74,311
Renewal of Existing Assets	–	–	–	–	–	–		–	–	–
Repairs and Maintenance	31,409	34,513	25,240	22,004	18,607	18,607		19,165	19,741	20,333
<u>Free services</u>										
Cost of Free Basic Services provided	12,683	13,856	–	15,755	23,919	23,919	18,193	18,193	19,442	19,230
Revenue cost of free services provided	50	50	–	8,215	–	–	4,914	4,914	5,320	4,914
<u>Households below minimum service level</u>										
Water:	2	2	2	2	2	2	2	2	2	2
Sanitation/sewerage:	17	17	19	19	19	19	19	19	19	19
Energy:	20	20	20	37	37	37	37	37	37	37
Refuse:	40	40	42	–	–	–	–	–	–	–

PART 2 – Supporting Documentation

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

2.1.1 The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- That we apply tariff increase of 2.5% over and above the CPI for the next three years in order to demonstrate our efforts in achieving cost-reflective tariffs on major trading services.
- That we establish a revenue turnaround committee that will consists of temps and other technical teams for meter audit, replacement and data cleansing for improved data on billing.
- That the cost of water provision is escalating and the municipality is reviewing free basic water to all but only limited to registered indigents.
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

In terms of section 21 of the MFMA the Executive Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2017) a time schedule that sets out the process to revise the IDP and prepare the budget.

2.2 IDP and Services Delivery and Budget Implementation Plan (SDBIP) Priorities

In reviewing the last 5-year IDP, a process plan was developed and adopted by Council. It started in September 2017 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2018/19 MTREF. 2019 is marked by the elections for local municipalities and the council will adopt and approved the 2018/19 Draft budget /IDP taking into consideration national elections manifestos.

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality.

2.2.1 The above section also mentions that an Integrated Development Plan has the following functions:

- Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan;
- Forms the policy framework and general basis on which annual budgets must be based;
- Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

2.3 IDP and Budget Consultative Community Participation

As a process to produce this principal long-term strategic plan, Mkhondo Local Municipality embarked on a detailed public participation process and consultation meetings took place, for the 2017-2021 Integrated Development Planning process. The public consultation process was again conducted during November 2017 for the Final IDP Review. Officials together with honourable councillors went all out to participate in the meetings across all 19 wards in the municipality.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Table 9 Feedback Summary from community needs relating to municipal competencies

IDENTIFIED NEEDS		WARDS																		
PROJECT CATEGORY		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	WATER	-	X	-	-	-	X	-	X	X	-	X	-	X	-	-	-	X	X	X
2	SANITATION	-	X	-	-	X	X	-	X	X	-	X	-	X	X	-	X	X	-	X
3	ELECTRICITY (Streetlights/Apollo)	X	X	-	-	X	X	-	X	X	X	-	X	X	X	-	-	X	X	X
4	REFUSE REMOVAL	-	-	-	-	-	-	-	X	-	-	-	-	-	-	-	-	-	-	-
5	RDP/LAND/SITES	X	X	-	-	X	-	-	X	X	X	X	X	X	X	-	X	X	X	X
6	EDUCATION,SCHOOLS	-	X	-	-	X	-	-	X	-	-	X	X	X	X	-	X	-	-	X
7	HEALTHCARE,CLINICS	X	X	-	-	-	X	-	X	X	-	-	-	-	-	-	-	X	-	-
8	SOCIAL CARE	-	X	-	-	X	X	-	X	X	X	-	X	-	X	-	X	X	X	X
9	ROADS	X	X	-	-	-	X	-	X	-	X	X	X	-	X	-	-	X	-	X
10	JOB OPPORTUNITIES	-	X	-	-	-	-	-	-	X	-	X	-	X	-	-	X	X	X	X
11	SHOPPING CENTRE	-	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	TOTAL	4	10	0	0	5	6	0	7	7	4	6	5	6	6	0	5	8	5	8

The above table is a summary of the needs as identified in different ward through their ward meetings. The details of the actual needs are contained in the minutes of different ward meetings. The "X" in the illustrative table represents the needs as identified by the

communities in their respective wards. The “-“does not mean no services exists but there’s services within that ward but there’s still some villages or areas which need those services. Reference of such villages/ areas is made in the minutes of the community participation which is available on request.

2.4 Overview of alignment of annual budget with IDP

The purpose of this document is to describe the planning and implementation processes that will be followed by Mkhondo Local Municipality to deliver on its mandate through being a developmental local municipality. Critical in this document are the Strategic development priorities of the municipality, which are namely:

- LED (Township economic establishment) upliftment of township economy
- Future development planning (Master plans)
- Improve delivery on basic services (Water, roads, electricity, waste and sanitation)
- Revenue enhancement
- Youth skills and business development
- Enhance good governance (Public participation)
- Performance Management to be cascaded to the lower level
- Assets management (fleet and property maintenance plan).
- Clean audit
- Improve Blue drop & Green drop
- Promulgation and enforcement of by- laws

Table 10 MP303 Mkhondo - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

Strategic Objective	Goal	Goal Code	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand												
Municipal institution transformation and development				93,468	115,306	98,021	119,126	113,883	113,883	117,169	119,942	122,823
Municipal Viability Financial Management				82,637	66,093	145,357	99,217	104,526	104,526	103,810	104,930	106,668
Good Governance & Public Participation				13,844	34,867	29,687	33,774	32,774	32,774	34,122	35,918	37,817
Local Economic Development (LED) and Spatial Rational				3,979	4,030	3,826	7,164	5,811	5,811	6,137	6,496	6,879
Basic Service Delivery				178,232	216,736	214,283	230,531	220,889	220,889	234,495	249,605	264,897
Allocations to other priorities				61,465	53,672	63,208	61,027	62,475	62,475	64,565	67,659	70,920

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Total Expenditure	1	433,625	490,705	554,383	550,840	540,358	540,358	560,299	584,550	610,003
-------------------	---	---------	---------	---------	---------	---------	---------	---------	---------	---------

Table 11 IDP Strategic Development Priorities and Objectives

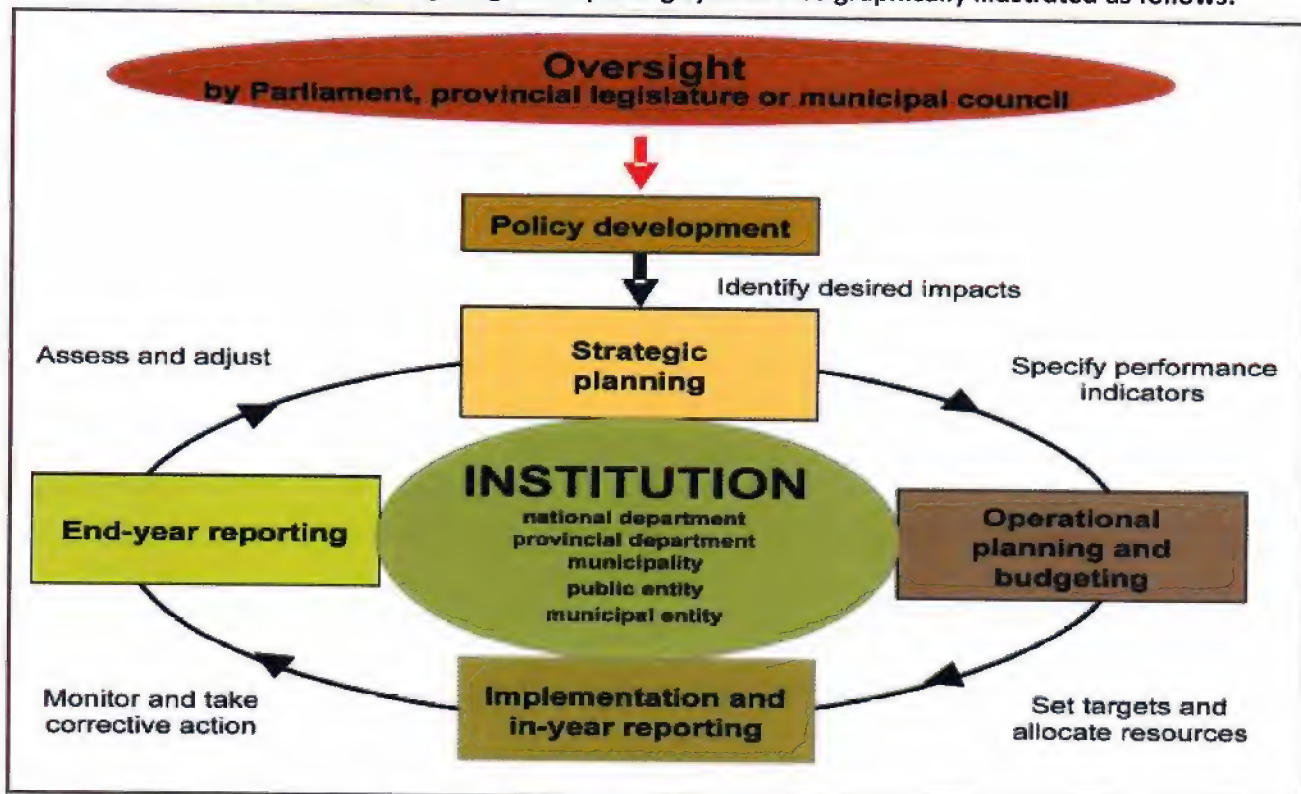
PRIORITIES	GOALS	OBJECTIVES
<ul style="list-style-type: none"> • LED(Township economic establishment) Upliftment of township economy • Future development planning (Master plans) • Improve delivery on basic services(Water, roads, electricity, waste and sanitation) • Revenue enhancement • Youth skills and business development • Enhance good governance (Public participation) • Performance Management to be cascaded to the lower level • Assets management (fleet and property maintenance plan). • Clean audit • Improve Blue drop & Green drop • Promulgation and enforcement of by- laws 	<ul style="list-style-type: none"> • Sustainable service delivery • Economic development and employment. • Clean audit • Financial viability 	<ul style="list-style-type: none"> • To provide access to basic services (water 100%, electricity 100%, Sanitation 100% and refuse removal 75%) • To establish six integrated township • To promote economic growth by 5% • To reduce unemployment by 5% • To increase revenue collection by 85% • To conduct 20 public participation programmes • To reduce irregular expenditure to 0% • To develop and update assets register

2.5 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Mkhondo Local Municipality has developed and implementing a performance management system wherein top management have signed performance agreements with the Municipal manager and the Executive Mayor.

Mkhondo Local Municipality has also established a Performance Management unit as well as the performance management committee which is expected to be the integrated planning process which will enhance the Municipality's targets, monitoring, assessing and reviewing its organizational performance which in turn is directly linked to individual employee's performance i.e. Section 57 appointees.

Figure2 The planning, budgeting and reporting cycle can be graphically illustrated as follows:



The performance of Mkhondo Local Municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore, has adopted performance management system which encompasses

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and

- Improvement (making changes where necessary).

2.6 Overview of Budget related – Policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

- Supply Chain Management policy
- Investment policy
- Budget policy
- Fund Transfer policy
- Credit & Debit Control policy
- Subsistence & Travelling policy
- Asset Management Policy
- Tariff policy
- Banking and Cash Management policy
- Indigent Policy
- Rates policy
- Fleet Management policy
- Asset Disposal policy

2.7 Overview of Budget assumptions

2.7.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. Mkhondo Local municipality has in the past secured loan with DBSA for financing capital infrastructure and that's the only finance charges it incurs on repayments and financing interest on the loan. This financial year the municipality will be settling the DBSA loan reminder of just under R100 000, we can explore additional infrastructure loans as per National Treasury processes for obtaining infrastructure development through borrowings.

2.7.2 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (75 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings, plus an increased collection of arrear debt from the revenue enhancing strategy and incentives measures to encourage community to pay their arrears on service accounts.

2.7.3 Salary increase

The collective agreement regarding salaries/ wages which will end in June 2018, will kick-start the negotiation processes to advice on the approved new salary and wage collective agreement with SALGBC, an estimated growth in employee related cost is budgeted at 6.2 per cent for 2018/19 financial year, notwithstanding the NT circular no.91 in terms of the guidelines.

2.8 Overview of Capital Budget Funding Sources

2.8.1 Medium – term outlook: Capital Revenue

The following table is a breakdown of the funding composition of the 2018/19 Medium-term capital programme:

Table 12 MP303 Mkhondo - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funded by:											
National Government		90,683	91,668	71,534	123,104	123,099	123,099	62,221	96,398	124,773	106,130
Provincial Government		–	100,000	–	–	–	–	–	–	–	–
District Municipality		–	9,367	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	4	90,683	201,035	71,534	123,104	123,099	123,099	62,221	96,398	124,773	106,130
Public contributions & donations	5	–	–	–	–	–	–	–	–	–	–
Borrowing	6	–	–	–	–	–	–	–	–	–	–
Internally generated funds		6,897	11,694	9,215	2,500	12,601	12,601	–	600	–	–
Total Capital Funding	7	97,580	212,729	80,749	125,604	135,700	135,700	62,221	96,998	124,773	106,130

Figure 3 Sources of capital revenue for the 2017/18 financial year



Capital grants and receipts equates to 77 per cent of MIG and the INEP equates to 8 per cent present and 15 per cent for WSIG to a total of R100, 2million. The municipality is still grant dependent particularly on infrastructure projects no ability to raise own capital funding for internal projects.

2.9 Funding Compliance Measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 13 MP303 Mkhondo
Supporting Table SA10 Funding
measurement

Description	MFMA section	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	2,152	4,026	1,500	8	146	146	14,927	292	(8,096)	(48,340)
Cash + investments at the yr end less applications - R'000	18(1)b	2	(90,829)	(133,905)	(176,948)	(11)	205	205	(154,450)	(11)	4,572	466
Cash year end/monthly employee/supplier payments	18(1)b	3	0.1	0.1	0.0	0.0	0.0	0.0	0.8	0.0	(0.2)	(1.2)
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(13,387)	86,313	(40,410)	51,033	81,915	81,915	41,162	23,796	48,087	(883)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	(0.1%)	26.0%	(12.4%)	(1.8%)	(6.0%)	(58.4%)	3.2%	0.2%	0.3%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	76.6%	82.7%	79.9%	75.0%	73.2%	73.2%	76.3%	75.9%	75.6%	76.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	19.2%	18.9%	30.5%	25.2%	27.0%	27.0%	36.7%	23.7%	21.6%	20.2%

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Capital payments % of capital expenditure	18(1)c;19	8	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.5%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	(11.0%)	(7.8%)	205.8%	19.2%	0.0%	(68.7%)	9.7%	5.7%	5.8%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	2.5%	2.5%	1.8%	1.5%	1.3%	1.3%	1.4%	1.3%	1.3%	1.3%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
High Level Outcome of Funding Compliance												
Total Operating Revenue			328,817	358,883	435,491	431,499	444,480	444,480	259,280	487,097	507,863	502,991
Total Operating Expenditure			433,625	490,705	554,383	550,840	540,358	540,358	285,086	560,299	584,550	610,003
Surplus/(Deficit) Budgeted Operating Statement			(104,808)	(131,822)	(118,892)	(119,340)	(95,878)	(95,878)	(25,805)	(73,202)	(76,686)	(107,012)
Surplus/(Deficit) Considering Reserves and Cash Backing			(90,829)	(133,905)	(176,948)	(11)	205	205	(154,450)	4,572	18,119	466
MTREF Funded (1) / Unfunded (0)		15	0	0	0	0	1	1	0	1	1	1
MTREF Funded ✓ / Unfunded *		15	*	*	*	*	✓	✓	*	✓	✓	✓

2.10 Expenditure on Grants and Reconciliation of Unspent

Table 14 MP303 Mkhondo - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		132,882	158,295	171,606	196,057	196,412	196,412	219,071	237,224	219,451
Local Government Equitable Share		127,313	153,190	166,349	186,451	186,451	186,451	209,114	226,372	209,114
Finance Management		1,600	1,675	1,810	2,145	2,145	2,145	2,400	2,660	2,400
Municipal Systems Improvement		934	930	–	–	–	–	–	–	–
EPWP Incentive		2,913	2,348	2,452	3,350	3,350	3,350	3,350	3,350	3,350
LG SETA		122	152	995	–	350	350	370	380	370
Other transfers/grants PMU		–	–	–	4,111	4,116	4,116	3,837	4,462	4,217
Operational portion		–	–	–	–	–	–	–	–	–
Total operating expenditure of Transfers and Grants:		132,882	158,295	171,606	196,057	196,412	196,412	219,071	237,224	219,451
<u>Capital expenditure of Transfers and Grants</u>										
National Government:		90,683	91,668	74,666	123,104	123,099	123,099	96,398	124,773	106,130
Municipal Infrastructure Grant (MIG)		86,376	81,668	74,666	78,104	78,099	78,099	72,898	84,773	80,130
WSIG		–	–	–	35,000	35,000	35,000	15,000	25,000	15,000
INEP		4,307	10,000	–	10,000	10,000	10,000	8,500	15,000	11,000
Total capital expenditure of Transfers and Grants		90,683	201,035	78,481	123,104	123,099	123,099	96,398	124,773	106,130
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		223,565	359,330	250,087	319,161	319,511	319,511	315,469	361,997	325,581

Table 15 MP303 Mkhondo - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year						–	–			
Current year receipts		137,188	141,195	171,606	196,057	196,412	196,412	219,071	237,224	219,451
Conditions met - transferred to revenue		137,188	141,195	171,606	196,057	196,412	196,412	219,071	237,224	219,451
Total operating transfers and grants revenue		137,188	141,195	171,606	196,057	196,412	196,412	219,071	237,224	219,451

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year						-	-			
Current year receipts		90,683	91,668	71,534	123,104	123,104	123,104	96,398	124,773	106,130
Conditions met - transferred to revenue		90,683	91,668	71,534	123,104	123,104	123,104	96,398	124,773	106,130
Total capital transfers and grants revenue		90,683	201,035	71,534	123,104	123,104	123,104	96,398	124,773	106,130
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		227,871	342,230	243,139	319,161	319,516	319,516	315,469	361,997	325,581
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

2.11 Councillors and Employee Benefits

Table 16 MP303 Mkhondo - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4		405,152	75,452	180,525			661,129
Chief Whip			435,515	54,564	171,050			661,129
Executive Mayor			488,323	151,938	20,868			661,129
Deputy Executive Mayor			-	-	-			-
Executive Committee			1,360,986	135,479	362,968			1,859,433
Total for all other councillors			7,342,570	618,731	1,261,964			9,223,265
Total Councillors	8	-	10,032,546	1,036,165	1,997,374			13,066,085
Senior Managers of the Municipality	5							
Municipal Manager (MM)			718,586	129,900	163,200			1,011,686
Chief Finance Officer			452,308	123,968	259,200			835,476
GM TECHNICAL SERVICES			835,477	-	-			835,477
GM CORPORATE SERVICES			445,158	132,218	258,101			835,477
GM COMMUNITY SERVICES			835,477	-	-			835,477
GM PLANING & DEVELOPMENT			835,477	-	-			835,477
List of each official with packages >= senior manager								
All Senior manager(All inclusive)			8,128,911	2,256,912	4,738,787			15,124,610
Total Senior Managers of the Municipality	8,10	-	12,251,394	2,642,998	5,419,288	-		20,313,680
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	10	-	22,283,940	3,679,163	7,416,662	-		33,379,765

Table 17 MP303 Mkhondo - Supporting Table SA24
Summary of personnel numbers

Summary of Personnel Numbers	Ref	2016/17			Current Year 2017/18			Budget Year 2018/19		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		38	38	-	38	38	-	38	38	-
Board Members of municipal entities	4	-	-	-	-	-	-	-	-	-
Municipal employees	5	-	-	-	-	-	-	-	-	-
Municipal Manager and Senior Managers	3	6	6	-	6	6	-	6	4	-
Other Managers	7	21	20	-	21	18	-	21	20	-
Professionals		16	14	-	29	19	-	30	18	-
<i>Finance</i>		11	10	-	13	13	-	13	11	-
<i>Spatial/town planning</i>		1	-	-	1	1	-	2	2	-
<i>Information Technology</i>		-	-	-	1	1	-	1	1	-
<i>Roads</i>		-	-	-	-	-	-	-	-	-
<i>Electricity</i>		-	-	-	-	-	-	-	-	-
<i>Water</i>		-	-	-	-	-	-	-	-	-
<i>Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Refuse</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	4	4	-	14	4	-	14	4	-
Technicians	6	6	6	-	7	6	-	7	6	-
<i>Finance</i>		-	-	-	-	-	-	-	-	-
<i>Spatial/town planning</i>		-	-	-	-	-	-	-	-	-
<i>Information Technology</i>	2	2	2	-	3	2	-	3	3	-
<i>Roads</i>		-	-	-	-	-	-	-	-	-
<i>Electricity</i>	1	1	1	-	1	1	-	1	-	-
<i>Water</i>	3	3	3	-	3	3	-	3	3	-
<i>Sanitation</i>		-	-	-	-	-	-	-	-	-
<i>Refuse</i>		-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-
Clerks (Clerical and administrative)	70	65	65	-	71	65	-	71	64	-
Service and sales workers	45	42	42	-	55	42	-	55	42	-
Skilled agricultural and fishery workers	54	54	54	-	54	54	-	54	45	-
Craft and related trades	8	8	8	-	10	8	-	12	8	-
Plant and Machine Operators	35	31	31	-	53	31	-	57	49	-

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Elementary Occupations		301	250	-	350	220	-	354	192	-
TOTAL PERSONNEL NUMBERS	9	600	534	-	694	507	-	705	486	-
% increase					15.7%	(5.1%)	-	1.6%	(4.1%)	-
Total municipal employees headcount	6,10	-	-	-	-	-	-	-	-	-
Finance personnel headcount	8,10	-	-	-	-	-	-	-	-	-
Human Resources personnel headcount	8,10	-	-	-	-	-	-	-	-	-
		8	7	-	8	7	-	8	7	-

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

2.12 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

Table 18 MP303 Mkhondo - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source	-															
Property rates		3,821	3,821	3,821	3,821	3,821	3,821	3,821	3,821	3,821	3,821	3,821	4,821	46,852	49,429	52,148
Service charges - electricity revenue		10,115	10,115	10,115	10,115	10,115	10,115	10,115	10,115	10,115	10,115	10,115	10,115	121,377	129,679	138,549
Service charges - water revenue		1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	1,821	4,821	24,854	26,221	27,663
Service charges - sanitation revenue		877	877	877	877	877	877	877	877	877	877	877	2,877	12,523	13,211	13,938
Service charges - refuse revenue		984	984	984	984	984	984	984	984	984	984	984	984	11,808	12,458	13,143
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		129	129	129	129	129	129	129	129	129	129	129	129	1,543	1,628	1,717
Interest earned - external investments		145	145	145	145	145	145	145	145	145	145	145	145	1,745	1,841	1,943
Interest earned - outstanding debtors		1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	1,208	14,500	13,500	12,500
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		141	141	141	141	141	141	141	141	141	141	141	641	2,188	2,308	2,435
Licences and permits		5	5	5	5	5	5	5	5	5	5	5	5	55	58	61
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		81,204	838	-	-	1,550	60,650	-	-	74,828	-	-	-	219,071	237,224	219,451
Other revenue		1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	1,215	11,215	24,581	20,306	19,443
Gains on disposal of PPE													6,000	6,000	-	-
Total Revenue (excluding capital transfers and contributions)		101,665	21,298	20,460	20,460	22,011	81,110	20,460	20,460	95,289	20,460	20,460	42,960	487,097	507,863	502,991

[illegible][illegible]

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Table 19 MP303 Mkhondo - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2018/19												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Cash Receipts By Source													1		
Property rates	2,866	2,866	2,866	2,866	2,866	2,866	2,866	2,866	2,866	2,866	2,866	5,021	36,545	38,555	40,675
Service charges - electricity revenue	7,586	7,586	7,586	7,586	7,586	7,586	7,586	7,586	7,586	7,586	7,586	11,227	94,674	101,150	108,068
Service charges - water revenue	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366	4,361	19,386	20,452	21,577
Service charges - sanitation revenue	658	658	658	658	658	658	658	658	658	658	658	2,533	9,768	10,305	10,872
Service charges - refuse revenue	738	738	738	738	738	738	738	738	738	738	738	1,092	9,210	9,717	10,251
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	129	129	129	129	129	129	129	129	129	129	129	129	1,543	1,628	1,717
Interest earned - external investments	145	145	145	145	145	145	145	145	145	145	145	145	1,745	1,841	1,943
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	1,350	1,250
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	120	120	120	120	120	120	120	120	120	120	120	544	1,860	1,154	1,218
Licences and permits	5	5	5	5	5	5	5	5	5	5	5	5	55	58	61
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	81,204	838	-	-	1,550	60,650	-	-	74,828	-	-	-	219,071	237,224	219,451
Other revenue	1,215	1,215	1,215	1,215	6,215	1,215	1,215	1,215	1,215	6,215	1,215	1,215	24,581	20,306	19,443
Cash Receipts by Source	96,031	15,665	14,827	14,827	21,377	75,477	14,827	14,827	89,655	19,827	14,827	26,274	418,437	443,740	436,527
Other Cash Flows by Source															
Transfer receipts - capital	54,206	-	-	-	-	29,872	-	-	12,321	-	-	-	96,398	124,773	106,130
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	6,000	6,000	-	-

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Total Cash Receipts by Source	150,237	15,665	14,827	14,827	21,377	105,349	14,827	14,827	101,975	19,827	14,827	32,274	520,836	568,513	542,656
Cash Payments by Type															
Employee related costs	13,152	13,152	13,152	13,152	13,152	13,152	13,152	13,152	13,152	13,152	13,152	13,152	157,820	168,078	179,003
Remuneration of councillors	1,310	1,310	1,310	1,310	1,310	1,310	1,310	1,310	1,310	1,310	1,310	1,310	15,724	16,589	17,501
Finance charges	-	-	10	-	-	-	-	-	-	-	-	-	10	-	-
Bulk purchases - Electricity	9,779	9,779	9,779	9,779	9,779	9,779	9,779	9,779	9,779	9,779	9,779	9,779	117,343	125,933	135,151
Bulk purchases - Water & Sewer	382	382	382	382	382	382	382	382	382	382	382	382	4,579	4,914	5,274
Other materials	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597	1,597	19,165	19,741	20,333
Contracted services	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	2,221	38,889	40,055	41,257
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	1,000	1,066	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	802	12,767	13,630	13,167
Other expenditure	5,287	5,287	5,287	5,287	5,287	5,287	5,287	5,287	5,287	5,287	5,287	3,187	61,348	63,188	65,084
Cash Payments by Type	35,840	35,906	35,950	35,940	35,940	35,940	35,940	35,940	35,940	35,940	35,940	32,429	427,645	452,128	476,771
Other Cash Flows/Payments by Type															
Capital assets	16,558	11,204	16,704	10,536	7,792	14,304	2,450	3,401	1,850	6,350	1,850	4,000	96,998	124,773	106,130
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	52,398	47,109	52,654	46,476	43,732	50,244	38,390	39,341	37,790	42,290	37,790	36,430	524,644	576,901	582,900
NET INCREASE/(DECREASE) IN CASH HELD	97,839	(31,445)	(37,827)	(31,649)	(22,355)	55,105	(23,563)	(24,515)	64,185	(22,463)	(22,963)	(4,156)	(3,808)	(8,388)	(40,244)
Cash/cash equivalents at the month/year begin:	4,100	101,939	70,494	32,667	1,018	(21,337)	9,253	33,768	(14,310)	49,875	27,411	4,448	4,100	292	(8,096)
Cash/cash equivalents at the month/year end:	101,939	70,494	32,667	1,018	(21,337)	33,768	9,253	9,253	49,875	27,411	4,448	292	292	(8,096)	(48,340)

2.13 OTHER SUPPORTING DOCUMENTS

Table 20 MP303 Mkhondo - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
REVENUE ITEMS:											
<u>Property rates</u>	6										
Total Property Rates		20,108	31,383	34,003	44,252	44,252	44,252	22,838	41,452	43,815	46,268
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>											
Net Property Rates		20,108	31,383	34,003	44,252	44,252	44,252	22,838	41,452	43,815	46,268
<u>Service charges - electricity revenue</u>	6										
Total Service charges - electricity revenue		82,804	94,487	95,884	96,044	102,794	102,794	72,842	121,437	124,546	130,584
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>											
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		1,813	6,366	6,602	2,283	2,283	2,283	2,283	8,036	9,013	9,757
Net Service charges - electricity revenue		80,991	88,121	89,281	93,761	100,511	100,511	70,559	113,401	115,533	120,827
<u>Service charges - water revenue</u>	6										
Total Service charges - water revenue		12,183	15,710	18,691	19,499	19,499	19,499	19,901	29,491	31,455	33,347
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>									8,165	8,630	9,113
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		2,839	3,819	3,600	3,573	3,573	3,573	3,573	4,382	4,914	5,320
Net Service charges - water revenue		9,345	11,890	15,091	15,926	15,926	15,926	16,327	16,945	17,911	18,914
<u>Service charges - sanitation revenue</u>	6										
Total Service charges - sanitation revenue		6,801	8,004	9,530	9,787	10,856	10,856	6,436	10,769	11,386	12,026
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>											
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>		1,059	1,059	1,827	1,333	1,333	1,333	1,333	1,414	1,498	1,585
Net Service charges - sanitation revenue		5,742	6,945	7,703	8,454	9,523	9,523	5,103	9,354	9,888	10,441
<u>Service charges - refuse revenue</u>	6										
Total refuse removal revenue		8,534	9,214	10,537	11,047	11,892	11,892	7,595	11,885	12,566	13,274
Total landfill revenue											
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>											
<i>less Cost of Free Basis Services (removed once a week to indigent households)</i>		1,439	1,439	1,827	1,812	1,812	1,812	1,812	1,923	2,036	2,154
Net Service charges - refuse revenue		7,095	7,774	8,711	9,235	10,080	10,080	5,783	9,962	10,530	11,120

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Other Revenue by source											
Administrative costs, insurance claim, revenue enhancement		2,560	20,331	36,747	60	57	57	25	60	63	66
Advertising/posters (from pre audit back to audited outcomes were sum'd together)		19	–	–	24	66	66	41	70	74	78
Building plans & cemetery fees (Donation received - audited outcome 2011/12)		138	–	–	967	1,022	1,022	88	662	699	738
Clearance certificates, VAT, valuation certificates & commission fees		134	–	–	236	249	249	133	265	280	296
Bins, Cut of grass, other income and miscellaneous income		27,258	–	–	14	15	15		11	12	13
Encroachment, Escorting & Weighbridge fees		1,626	–	–	2,082	2,037	2,037	212	2,216	2,342	2,474
Sale of garden refuse bulk containers, refuse bins & prepaid boxes		0	–	–	3	3	3		6	6	7
Postcards, statements & photocopies fees		240	–	–	6	9	9	161	15	16	17
Rentals, Private calls recovered, PMU admin		–	–	–		–	–	–	–	–	–
Private work & reconnection fees, lost cards, consumer serv		–	–	–	608	279	279		403	426	450
Sale of pines, gums & wattle barks		3,626	–	–	22,401	22,401	22,401	909	24,400	19,280	16,295
Sundry - tenders, sub division of stands & testing of meters	3	204	–	–	758	302	302	129	589	623	658
Total 'Other' Revenue	1	35,807	20,331	36,747	27,159	26,440	26,440	1,697	28,697	23,822	21,091
EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	62,462	112,532	128,742	89,314	97,902	97,902	58,778	103,547	110,484	117,776
Pension and UIF Contributions		12,543			16,342	18,162	18,162	10,324	19,106	20,386	21,731
Medical Aid Contributions		2,646			4,378	5,592	5,592	3,567	5,906	6,302	6,717
Overtime		6,695			5,543	7,143	7,143	6,572	6,421	6,851	7,304
Performance Bonus		–			965	–	–	–	–	–	–
Motor Vehicle Allowance		4,184			3,065	3,474	3,474	2,033	3,731	3,981	4,243
Cellphone Allowance		–			–	–	–	–	–	–	–
Housing Allowances		1,064			2,509	2,267	2,267	1,271	2,435	2,598	2,769
Other benefits and allowances		5,408			10,623	14,184	14,184	4,756	14,383	15,347	16,360
Payments in lieu of leave		–			–	–	–	843	–	–	–
Long service awards		71			–	–	–	–	–	–	–
Post-retirement benefit obligations	4	2,502			–	–	–	–	–	–	–
sub-total	5	97,576	112,532	128,742	132,739	148,722	148,722	88,143	155,528	165,948	176,901
Less: Employees costs capitalised to PPE		–	–								
Total Employee related costs	1	97,576	112,532	128,742	132,739	148,722	148,722	88,143	155,528	165,948	176,901
Contributions recognised - capital											
List contributions by contract								–			
Own funding			5,045		2,100	28,673	28,673	2,250	2,500	2,668	2,844
Total Contributions recognised - capital		–	5,045	–	2,100	28,673	28,673	2,250	2,500	2,668	2,844
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment		72,540	70,686	75,480	75,080	75,080	75,080	36,134	78,651	86,805	87,673

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE	10										
Total Depreciation & asset impairment	1	72,540	70,686	75,480	75,080	75,080	75,080	36,134	78,651	86,805	87,673
Bulk purchases											
Electricity Bulk Purchases		75,425	82,866	98,759	109,000	109,002	109,002	55,093	109,339	109,678	110,018
Water Bulk Purchases		10,726		2,538	1,194	1,194	1,194	1,194	4,267	4,518	4,781
Total bulk purchases	1	86,151	82,866	101,297	110,194	110,195	110,195	56,287	113,606	114,197	114,799
Transfers and grants											
Cash transfers and grants		3,876	6,480	3,930	12,728	12,728	12,728	2,252	17,877	15,512	16,473
Non-cash transfers and grants		-	-	-	-	-	-	-	-	-	-
Total transfers and grants	1	3,876	6,480	3,930	12,728	12,728	12,728	2,252	17,877	15,512	16,473
Contracted services											
List services provided by contract		-	-	-	-	-	-	-	-	-	-
Private contractors e.g. CIVIL Culture, Mpangazitha.		25,749	24,207	15,272	12,319	12,319	12,319	17,574	21,035	22,276	23,568
Security services		9,262	12,155		14,089	27,508	27,508	7,458	16,116	17,067	18,057
Valuation roll: supplementary.		-			593	593	593		757	801	848
VAT review commission		-			-	-	-				
sub-total	1	35,011	36,362	15,272	27,002	40,420	40,420	25,032	37,908	40,144	42,473
Total contracted services		35,011	36,362	15,272	27,002	40,420	40,420	25,032	37,908	40,144	42,473
Other Expenditure By Type	-										
Collection costs		-	-	-	-	-	-	-	-	-	-
Contributions to 'other' provisions		-	-	-	-	-	-	-	-	-	-
Consultant fees		-	-	25,525	-	-	-	-	-	-	-
Audit fees		2,310	-	3,551	3,494	3,494	3,494	-	-	-	-
General expenses	3	27,228	44,883	24,931	19,733	19,594	19,594	6,384	21,878	23,163	24,513
List Other Expenditure by Type		-	-	-	-	-	-	-	-	-	-
Administration		-	-	-	-	-	-	-	-	-	-
Transfer to Reserves		-	-	1,562	-	-	-	-	-	-	-
ADVERTISING		-	-	822	1,141	1,616	1,616	591	706	748	791
AUDIT FEES		-	-		3,494	4,054	4,054	2,654	4,301	4,555	4,819
BANK CHARGES		-	-	1,101	1,134	1,134	1,134	524	1,203	1,274	1,348
CHEMICALS		-	-		2,123	2,230	2,230	-	2,140	2,266	2,398
INSURANCE		-	-	5,733	4,024	4,024	4,024	4,077	5,625	5,957	6,303
BURSARIES		-	-		1,000	1,000	1,000		1,061	1,124	1,189
LEGAL FEES		-	-		1,719	1,719	1,719		1,824	1,931	2,043
MEMBERSHIP FEES		-	-	1,935	1,284	1,404	1,404		1,489	1,577	1,669

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

PRINTING & STATIONERY		-	-	3,091	2,051	2,965	2,965		3,146	3,331	3,525
PROTECTIVE CLOTHING		-	-	2,566	2,593	3,756	3,756	2,236	3,985	4,220	4,465
RENTAL:OFFICE EQUIPMENT		-	-		2,842	3,178	3,178		3,372	3,577	3,778
RENTAL OFFICES		-	-		1,070	1,070	1,070		1,135	1,202	1,271
SKILLS DEVELOPMENT LEVY		-	-		1,066	1,473	1,473		1,563	1,655	1,751
STORES & MATERIAL		-	-		1,081	1,242	1,242	6,484	1,276	1,352	1,430
SUBSISTENCE & TRAVELING		-	-	3,298	2,006	1,831	1,831	3,319	1,996	2,114	2,237
ACCOMMODATIONS		-	-		1,521	1,846	1,846		1,958	2,074	2,194
TELEPHONE		-	-	2,443	2,012	2,359	2,359	1,392	1,765	1,869	1,978
TRAINING COSTS: EMPLOYEES		-	-	1,423	2,014	2,103	2,103		2,231	2,363	2,500
CLEANING MATERIAL		-	-		-	-	-	58	634	671	710
Total 'Other' Expenditure	1	29,537	44,883	76,420	58,964	62,091	62,091	27,719	63,289	67,024	70,911

Repairs and Maintenance by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure		33,380	31,409	34,513	17,497	20,880	20,880	20,903	22,004	23,302	24,654
Total Repairs and Maintenance Expenditure	9	33,380	31,409	34,513	17,497	20,880	20,880	20,903	22,004	23,302	24,654

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Table 21 MP303 Mkhondo - Supporting Table SA2 Matrix Financial Performance Budget (revenue source/expenditure type and dept.)

Description	Ref	Vote 1 - Executive and Council	Vote 2 - Budget and Treasury Office	Vote 3 - Corporate Services	Vote 4 - Planning and Development	Vote 5 - Community Services	Vote 6 - Technical Services	Vote 7 - Afforestation	Total
R thousand	1								
Revenue By Source									
Property rates	-	41,452	-	-	-	-	-	-	41,452
Service charges - electricity revenue	-	-	-	-	-	-	113,401	-	113,401
Service charges - water revenue	-	-	-	-	-	-	16,945	-	16,945
Service charges - sanitation revenue	-	-	-	-	-	-	9,354	-	9,354
Service charges - refuse revenue	-	-	-	-	-	9,962	-	-	9,962
Service charges - other	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	3,340	496	3	-	-	-	3,840
Interest earned - external investments	-	530	-	-	-	-	-	-	530
Interest earned - outstanding debtors	-	10,800	-	-	-	-	-	-	10,800
Dividends received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	-	-	-	210	198	-	-	408
Licences and permits	-	-	-	-	-	52	-	-	52
Agency services	-	-	-	-	-	-	-	-	-
Other revenue	-	590	-	800	2,505	403	24,400	-	28,697
Transfers and subsidies	174,033	2,145	-	-	-	19,878	-	-	196,057
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		174,033	55,516	3,340	1,296	12,732	160,180	24,400	431,499
Expenditure By Type									
Employee related costs	7,811	25,029	16,512	5,146	43,414	52,661	4,954	-	155,528
Remuneration of councillors	13,745	-	-	-	-	-	-	-	13,745
Debt impairment	-	48,132	-	-	-	-	-	-	48,132
Depreciation & asset impairment	78,651	-	-	-	-	-	-	-	78,651
Finance charges	-	-	-	-	-	100	-	-	100
Bulk purchases	-	-	-	-	-	113,606	-	-	113,606
Other materials	30	545	2,027	-	1,768	17,526	109	-	22,004
Contracted services	-	13,126	-	1,643	14,285	2,766	6,088	-	37,908
Transfers and subsidies	4,500	2,145	-	-	-	11,232	-	-	17,877
Other expenditure	14,363	14,765	10,515	922	4,413	14,516	3,796	-	63,289
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Expenditure		119,100	103,742	29,053	7,711	63,880	212,407	14,947	550,840
Surplus/(Deficit)		54,933	(48,225)	(25,713)	(6,415)	(51,148)	(52,226)	9,453	(119,340)

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	123,104							123,104
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	44,769							44,769
Transfers and subsidies - capital (in-kind - all)	2,500							2,500
Surplus/(Deficit) after capital transfers & contributions	225,307	(48,225)	(25,713)	(6,415)	(51,148)	(52,226)	9,453	51,033

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Table 22 MP303 Mkhondo - Supporting Table SA3 Supporting detail to 'Budgeted Financial Position'

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
ASSETS											
<u>Call investment deposits</u>											
Call deposits		336	462	1,250		–	–	–	43	49	54
Other current investments		–	–	–				–	425	490	525
Total Call investment deposits	2	336	462	1,250	–	–	–	–	468	539	579
<u>Consumer debtors</u>											
Consumer debtors		23,648	28,326	37,277	243,859	268,865	268,865	302,474	366,375	388,358	411,659
Less: Provision for debt impairment		–	–	–	(127,861)	(127,861)	(127,861)	(263,225)	(201,506)	(213,597)	(226,413)
Total Consumer debtors	2	23,648	28,326	37,277	115,998	141,004	141,004	39,248	164,869	174,761	185,247
<u>Debt impairment provision</u>											
Balance at the beginning of the year		–	–	–	106,347	106,347	106,347		166,724	176,728	187,331
Contributions to the provision		–	–	–	21,814	21,514	21,514		34,782	36,869	39,081
Bad debts written off		–	–	–	–	–	–		–	–	–
Balance at end of year		–	–	–	128,161	127,861	127,861	–	201,506	213,597	226,413
<u>Property, plant and equipment (PPE)</u>											
PPE at cost/valuation (excl. finance leases)		1,232,071	1,372,635	1,381,583	2,833,482	2,857,883	2,857,883	2,695,272	2,792,270	2,917,044	3,023,173
Leases recognised as PPE		–	–	–	–	–	–	–	–	–	–
Less: Accumulated depreciation	3	–	–	–	1,340,599	1,410,777	1,410,777	1,288,790	1,361,637	1,435,213	1,509,524
Total Property, plant and equipment (PPE)	2	1,232,071	1,372,635	1,381,583	1,492,883	1,447,105	1,447,105	1,406,482	1,430,633	1,481,831	1,513,649
LIABILITIES											
<u>Current liabilities - Borrowing</u>											
Short term loans (other than bank overdraft)		474	–	7,297	–	–	–	76	–	–	–
Current portion of long-term liabilities		–	–	–	400	100	100		–	–	–
Total Current liabilities - Borrowing		474	–	7,297	400	100	100	76	–	–	–
<u>Trade and other payables</u>											
Trade and other creditors		149,928	175,601	212,496	97,640	113,552	113,552	183,825	125,543	110,600	96,500
Unspent conditional transfers		333	519	–	–			22,607	–	–	–
VAT		–	–	–	–			20,928	–	–	–

MKHONDO LOCAL MUNICIPALITY 2018/19 DRAFT MTREF BUDGET

Total Trade and other payables	2	150,262	176,120	212,496	97,640	113,552	113,552	227,360	125,543	110,600	96,500
<u>Non current liabilities - Borrowing</u>											
Borrowing	4	1,336	380	-	-						
Finance leases (including PPP asset element)		-	-	-	-						
Total Non current liabilities - Borrowing		1,336	380	-	-	-	-	-	-	-	-
<u>Provisions - non-current</u>											
Retirement benefits		-	-	-	21,294	19,513	19,513	19,513	19,513	19,513	19,513
List other major provision items						-	-				
Refuse landfill site rehabilitation		-	-	-	17,994	15,595	15,595	15,595	15,595	15,595	15,595
Other		31,981	37,035	35,108	-	-	-	-	-	-	-
Total Provisions - non-current		31,981	37,035	35,108	39,288	35,108	35,108	35,108	35,108	35,108	35,108
CHANGES IN NET ASSETS											
<u>Accumulated Surplus/(Deficit)</u>											
Accumulated Surplus/(Deficit) - opening balance		1,228,559	1,217,221	1,249,742	1,528,145	1,534,478	1,534,478	1,290,113	1,486,545	1,530,339	1,595,989
GRAP adjustments		-	-	-	-			-			
Restated balance		1,228,559	1,217,221	1,249,742	1,528,145	1,534,478	1,534,478	1,290,113	1,486,545	1,530,339	1,595,989
Surplus/(Deficit)		(13,387)	86,313	-	51,033	-	-	-	23,796	48,087	(883)
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)	1	1,215,172	1,303,534	1,249,742	1,579,178	1,534,478	1,534,478	1,290,113	1,510,341	1,578,426	1,595,107
<u>Reserves</u>	-										
Housing Development Fund											
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves	2	-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	1,215,172	1,303,534	1,249,742	1,579,178	1,534,478	1,534,478	1,290,113	1,510,341	1,578,426	1,595,107

2.14 Legislation Compliance Status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

➤ In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and the quality of financial reports to both National and Provincial Treasury.

➤ Internship programme

Mkhondo Local Municipality is participating in the Municipal Financial Management Internship programme and has employed ten interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the municipality has successfully employed and trained 30 interns in the past few years through this programme. Some of the previous FM interns have since been appointed they have progressively achieved promotions with mostly in the Accountant positions within financial services.

Financial Management Grant (FMG) has been a successful capacity building programme wherein ten interns were appointed and undergone a minimum competency programme within the Office of the Chief Financial Officer. An additional group of interns will be appointed as most internship contract are due to be completed by October 2017, therefore additional round of FM interns will be appointed towards this capacity programme that is aimed at skilling finance staff in financial management.

➤ Budget & Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA, with all the senior manager fully appointed and their staff personnel fully placed, together with the assistance of five (5) Financial Management interns rotating within the Revenue, Expenditure, Supply Chain Management (SCM), Budget and ICT.

➤ Audit Committee

An Audit Committee members are fully qualified and functional with scheduled sittings through office of the MM and the Internal Audit Unit. The audit committee report is discussed and recommendation effectively implemented by management of the municipality.

➤ Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements and, it has been submitted timeously within reporting timelines to National, Provincial treasury and other relevant stakeholders.

➤ Policies

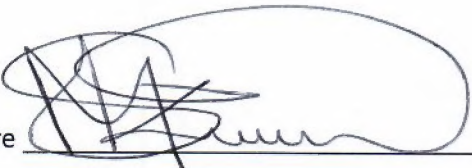
A list of all budget related policies will be approved during the 2018/19 MTREF by Council by the 30 May 2018, a list of all approved policies have been included as annexure.

2.15 Municipal Manager's Quality Certificate

I Maghawe Kunene, Municipal Manager of Mkhondo Local Municipality, hereby certify that the 2018/19 Draft Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2018/19 Draft Annual Budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name M. Kunene

Municipal Manager of Mkhondo Local Municipality (MP303)

Signature 

Date 28/03/18